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MEDIUM-TERM PROGRAMME FRAMEWORK, 1998-2001 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1998-1999)

Draft medium-term programme framework, 1998-2001

Addendum

Preview of the first biennium 1998-1999 and preliminary indicative general ceiling

Submitted by the Director-General

Summary

Indicates the general ceiling for the biennium 1998-1999 based on anticipated financial and human resources and on programme activities and is submitted in compliance with General Conference decision GC.2/Dec.23(b) (v) d.

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Introduction

1. The present addendum is submitted pursuant to General Conference decision GC.2/Dec.23, subparagraph (b) (v) d, which states that the draft medium-term plan should indicate a general ceiling for the following biennium based on anticipated financial and human resources and on programme activity.

2. Chapter 1 of the draft medium-term programme framework, 1998-2001, provides a summary account of the key development challenges facing the United Nations system and shows how UNIDO, through its far-reaching reforms, is equipped and prepared to meet these challenges. The Organization will be an effective and efficient partner for the developing countries and the countries with economies in transition in supporting their endeavours towards economically, socially and environmentally sustainable industrial development.

3. In the first biennium of the medium-term programme period, UNIDO will concentrate on strengthening the linkages between its global forum function (as defined and elaborated in section III.B. of the medium-term programme framework) and closely related technical cooperation programmes. Thus, the analytical, statistical, research and normative work of UNIDO will be geared more than before to supporting the sectoral and thematic priorities of the Organization's capacity- and institution-building services to recipient countries. Within these services, the private sector will further grow in importance as ultimate beneficiary but also as direct counterpart of UNIDO programmes and projects. UNIDO will also focus, in the first biennium, on paving the way for market-oriented economic and technical cooperation among developing countries and will implement specific programmes in each developing region to facilitate the flow of information, expertise and investment and technological resources from industrially more advanced to industrially less advanced developing countries.

4. UNIDO will intensify its efforts to diversify sources of funds for its technical cooperation programmes. This will involve the increasingly important global development funding facilities, above all in the field of environment, but also funding for priority programmes from traditional and new bilateral donors as well as enhanced cooperation with industry itself. The demand for UNIDO services and the mobilization of funds for their implementation are expected to grow significantly in all developing regions.

I. GENERAL CEILING

5. The ceiling for the regular budget for the biennium 1996-1997 representing zero real growth, when compared to the biennium 1994-1995, was approved by the Board in its decision IDB.13/Dec.14, paragraph (i). Following the announcement of the United States to withdraw from UNIDO effective 31 December 1996, revised programme and budgets for 1996-1997, showing negative real growth of 13.5 per cent when compared to the biennium 1994-1995, were submitted by the Director-General (IDB/S.6/2-PBC/AS.2/2).

6. In approving the 1996-1997 revised programme and budgets, the General Conference took note that the basis of the 1998-1999 regular budget appropriation would be $185,707,812 (GC.6/Dec.11, paragraph (f)). This amount would represent negative real growth of 11.7 per cent compared to the 1996-1997 biennium. Therefore, between 1994-1995 and 1998-1999, UNIDO's regular budget declines by 25 per cent.

7. At a time when the Organization has undergone substantial financial and staff reductions, the demand for its services continues to increase. While the recent reform of UNIDO resulted in a sharpened focus of programmes and increased the efficiency of programme development and implementation, insufficient funding continues to restrict UNIDO's ability to deliver the services in demand. Many priority programmes, e.g. strengthening of its field representation, are severely hampered despite repeatedly expressed support by Member States.

8. Notwithstanding the strains placed on substantive programmes through insufficient resource endowment, the Director-General recognizes the financial constraints faced by Member States in their national budgets. Therefore, the Director-General will not propose any adjustment to the negative real growth of 11.7 per cent in the regular budget for 1998-1999 as compared with the approved regular budget for 1996-1997. Any strengthening of substantive programmes in 1998-1999 will have to be facilitated through resource redeployments in line with identified priorities and activities of high demand.

9. The proposed regular budget ceiling for the 1998-1999 biennium is summarized in the following table:

Summary of regular budget ceiling
(In US dollars at 1996-1997 rates)

1996-1997 appropriation		210,246,600
Less:	Mandatory contribution due from the United States of America for 1996	24,538,788
Basis of 1998-1999 appropriation (regular budget ceiling)		185,707,812
Percentage decrease (negative real growth)		11.7

10. To ensure that the 1998-1999 regular budget retains the same real value (purchasing power), the ceiling of $185,707,812 will be recosted in the budget proposals to reflect estimated 1998-1999 rates, taking account of expected inflation, when submitting the proposed programme and budgets, 1998-1999.

11. The 1998-1999 regular budget will also be subject to adjustment in respect of cost reimbursement income and miscellaneous income.

II. PROGRAMME AND BUDGETS, 1998-1999 — METHODOLOGY AND FORMAT

12. The programme and budget proposals for 1998-1999 will reflect changes in both the methodology to permit comparison and in the format and presentation, which will place more emphasis on the programme content and thematic priorities of UNIDO.

Methodology to permit comparison

13. Since its inception as a specialized agency, UNIDO has followed a methodology in presenting the financial estimates for a biennium similar to that applied by the United Nations to identify resource growth in programmes between bienniums. The continued application of this methodology would have called for a revaluation of the resources for the 1996-1997 biennium to the prices of 1997 to establish the revalued base for 1998-1999. Resource growth would then be calculated by comparing the requirements of the 1998-1999 budgets (also stated at 1997 prices) with the revalued base.

14. During the consideration of programme and budget proposals for the 1996-1997 biennium, Member States drew attention to the fact that the methodology used to establish a base for comparison between bienniums was complex and difficult to understand or explain. It was also pointed out that the United Nations had recently introduced changes to its budget methodology. A commitment was made by the UNIDO Secretariat to study the new United Nations methodology and, where applicable, to introduce changes in the Organization's proposals for 1998-1999.

15. The revised methodology introduced by the United Nations is simpler in terms of clarity and presentation than that currently applied by UNIDO. It has a particular advantage of facilitating the comparison of the approved budget (rather than a revalued budget) of the current biennium with the proposed budget for the forthcoming biennium.

16. UNIDO will apply the United Nations methodology and present the resource requirements for 1998-1999 at the same rates as for the 1996-1997 biennium. Therefore, any resource growth will be identified by comparing the estimates for the two bienniums. Under the revised methodology, the "revaluation" process of the old methodology will be incorporated in the recosting process for inflation purposes, which will be applied after the comparison of bienniums.

17. The term "recosting" denotes the process of applying inflation factors to the estimated requirements presented at the rates prevailing during the two years of the current biennium (1996-1997 rates). This method is known as "recosting after comparison".

Format and presentation

18. The programmatic introduction to the programme and budgets for 1996-1997 emphasized the intention of the Organization to focus its activities mainly on seven thematic priorities. This new approach to presenting the programmatic thrust of UNIDO's programme of work also represented a first step towards improving the budget format and presentation which was approved by the Industrial Development Board in 1990 (IDB.7/Dec.11).

19. Having reviewed the implementation of the programme and budgets, 1996-1997, presented in documents IDB/S.6/2 and IDB.15/5, the Board in its decision IDB.15/Dec.3 (a):

> "Took note of the intention of the Director-General to review the format of the programme and budget documents to increase their transparency and enhance the understanding of their programmatic implications, and requested the Director-General to bear in mind the need for:
>
> (a) Reflecting thematic priorities in the programme and budgets;

(b) Ensuring a coherent presentation of objectives, activities/outputs and resources;

(c) Indicating relevant changes in programmatic contents and the resource levels proposed, enabling comparison over bienniums."

20. In response to this decision, the format of the programme and budgets for 1998-1999 will be adjusted to address the concerns of Member States on issues of transparency and programmatic implications, particularly in terms of thematic priorities. The programme and budget proposals for the 1998-1999 biennium to be submitted to the thirteenth session of the Programme and Budget Committee will contain a detailed elaboration of the programme of work in relation to the thematic priorities and will provide quantitative information on the financial resource allocations made for each thematic priority. The proposal will take account of the deliberations of the Programme and Budget Committee and Industrial Development Board on the medium-term programme framework at their current sessions.

III. REVOLVING FUND FOR SALES PUBLICATIONS

21. The increasing importance of publications in demonstrating the role of UNIDO as a global forum for supporting and promoting industrial development calls for improved financial mechanisms to support UNIDO publication activities. Proposals will be presented to the thirteenth session of the Programme and Budget Committee in 1997 as part of the budget submission to establish a revolving fund for sales publications, which would take effect from the beginning of the 1998-1999 biennium. This self-financing fund, which would be established using income earned from the sale of publications, would support the longer range planning of publication activities, including promotion and marketing, and reprinting of publications.